INFLUENCE OF CO-BRANDING ON CUSTOMER PERCEPTION: A CASE OF M-KESHO CUSTOMERS IN KARIOBANGI AREA

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DECLARATION

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DEDICATION

To my beloved wife the Late Mary Wanjiru Maina who encouraged me through and through and my lovely daughters Shalom Ngima Maina and Shammah Njeri Maina.

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ABSTRACT

The study sought to establish the influence of co-branding on customer perception: a case of M-Kesho customers in Kariobangi area. It was guided by two objectives which are; to establish whether co-branding influence customer satisfaction and to determine the influence of co-branding on perception of customers of M-Kesho product.
The Literature review focused on, the concept co-branding, importance of co-branding, concept of perception, brand perception, perceived price fairness, perceived service quality and customer loyalty.

The study applied the descriptive design; Target population included all the 12,332 customers of M-Kesho in the formal and informal small and medium business within Kariobangi Light Industries area and its environs. The sample size constituted 100 M-Kesho customers in the SME sector in Kariobangi Light Industries area and its environs who were randomly sampled.

The study also revealed that 70% of the respondents were members of M-Pesa before joining the M-Kesho product. Through probing the respondents asserted that they joined M-Kesho under the influence availability of the M-Kesho product which was accessible, convenient in relation to sending money, convenience of banking services like withdrawing or depositing money as well as the ability of the customers to access loan and insurance services through the M-Kesho product.

In view of the research findings, the study recommends that more M-Kesho products outlets should be availed to the customers to encourage use of the facility. The study also recommends that there is there is need to create awareness of the product to the customers through marketing and unpacking the product to the customers, this will make more customers even those with primary level of education easily use the product without complications. In order to improve the quality of the already existing products hence attracting more customers to the products leading to higher profits to the companies involved, the study recommends introduction of more co-branded products.

The study also recommends that the co-branded products should be reliable in the sense that one can use the facility at any time without delays. This ensures that customers have a positive perception on the product and also customers are more satisfied by such products.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Markets are more and more competitive, and for this reason strategic competition between companies emerges as a means for strategic partners to obtain benefits. In situations characterized by a sharp slowing down of the economy, where the main priority is to minimize costs so as to obtain greater operational efficiency, cooperating in order to compete is an increasingly fundamental marketing strategy to face more efficiently the challenge of implementing a brand with global characteristics (Aaker, 1991).

The brand is an intangible asset that has taken on importance in strategic terms, for both public and private companies. A prestigious brand image gives the company a competitive advantage, since it allows consumers to perceive enjoying greater benefit associated with the characteristics and quality of the product or service. The influence of the brand is based on the existence of confidence and a set of expectations. Co-branding is based on association between two recognized brands to develop a product with high added value. In this way, co-branding allows transfer of reputation and credibility between partner brands, making the marketing process more efficient (Grossman, 1997).

The market is flooded with products or brands with similar physical features and value promises and to make the condition worse for the modern marketer, there is a very high level of media clutter and advertising is fast loosing its effect over the customers. The high cost of media and complexity of consumer response to interactive media makes the marketer to look for new alternatives for brand management. The three distinct propositions have remained same for building brands but the approach to build a successful brand is undergoing a change in the current context. The three macro strategic issues relates to building a strong brand include a distinct value offer with a high level of sustainable competitive advantage, a differentiated positioning statement and a consistent positioning strategy, (Grossman, 1997). The most important aim of co-branding is through combination of two brands in order to attract more customers and to maximize the power and prestige that each brand has to offer. The partnership helps in opening up new markets and marketing opportunities. Co-branding is a good way to influence customers in a psychological sense and give them the impression that their favorite brand has a lot more to offer. Co-branding provides two distinctive benefits, both companies benefit from the partnership and so also the customers do benefit (Aaker, 1991).

1.1.1 Concept of Co-Branding

Co-branding is defined as an arrangement that associates a single product or service with more than one brand name, or otherwise associates a product with someone other than the principal producer. The typical co-branding agreement involves two or more companies acting in cooperation to associate any of various logos, color schemes, or brand identifiers to a specific product that is contractually designated for this purpose. The object for this is to combine the strength of two brands, in order to increase the premium consumers are willing to pay, make the product or service more resistant to copying by private label manufacturers, or to combine the different perceived properties associated with these brands with a single product (Park et al., 1996),.

Co-branding, defined here as pairing two or more branded products (constituent brands) to form a separate and unique product (composite brand) (Park et al., 1996), is a strategy currently popular for introducing new consumer products. Co-branding is an increasingly popular technique marketer's use in attempting to transfer the positive associations of the partner (constituent) brands to a newly formed co-brand (composite brand). Consumer product manufacturers are increasingly interested in co-branding strategies as a means to gain more marketplace exposure, fend off the threat of private label brands, and share expensive promotional costs with a partner, (Baumgarth, 2003; 2004). Despite the growing use of co-branding in practice, little empirical research has been conducted on the topic. Heding (2009) reported research that examined consumer attitudes toward brand alliances (co-brands) that focused on spillover effects of brand alliance evaluations on the later evaluations of partner (constituent) brands and on the role of brand familiarity in these relationships.

Co-branding, co-partnering or dual branding has made inroads into nearly every industry, from automotive and high-tech Internet companies to banking and fast food. Many well-known firms chose this marketing strategy in order to draw new customers, to increase the brand awareness, to support the customer loyalty or to win some other individual advantages offered by the partnership. The companies are very often following co-branding strategy only after realizing that the traditional marketing practices are exhausted and are no more capable of delivering a distinct brand benefit that they should have. The very base of co-branding marketing strategy is related with brand association phenomenon.

The philosophy behind co-branding is to attain advanced market share, increase the revenue streams, and improve competitive advantages through customer awareness. An appropriate co-branding strategy decision on brand managers has by and large tended to follow rather than focus on surface factors (Washburn et al, 2000). The most important aim of co-branding is through combination of two brands in order to attract more customers and to maximize the power and prestige that each brand has to offer. The partnership helps in opening up new markets and marketing opportunities.

1.1.2 Concept of Customer Perception

Customer perceptions are what indicate whether you have achieved satisfaction or not. In other words, they represent stepping stones along a continuum. Perceptions accumulate over time and gradually equate to either satisfaction or dissatisfaction. The word ‘perception’ was used in ISO 9001 to highlight just how subjective this quality is. Perceptions can comprise just about anything: fact, fiction, and fantasy, whatever. If customers believe their perceptions, though, the perceptions have the weight of fact. That is why it is so important to reach out to customers and specifically ask them what they think. By their very nature, you probably won’t agree with all the perceptions. A perception equals fact in the mind of the customer, though. One must act on these perceptions and let the customer know what you’ve done. Service companies today face an intense competitive climate. Customers' perception demand higher levels of quality for lower prices. At the same time, competitors are adopting more aggressive postures than in the past, leading to smaller profit margins for all participants (Keller, 2003)

Parasuraman et al (1997) view perceived service quality as a gap between the customers’ perception of the received service quality and the customers’ expected level of service quality (service quality = perception-Expectation). They further devised an instrument known as

SERVQUAL instrument (a questionnaire) to measure this gap. They cited that the nature of the characteristics customers use to evaluate the quality of goods is different when they evaluate the expected service and perceived service quality and stress the necessity of identifying the characteristics that represent the evaluative criteria customers use to assess service quality. Therefore in earlier research Parasuraman et al (1985) identified 10 characteristics (determinants) which customers used to evaluate service quality based on a series of focus group sessions. The ten determinants are: access, communication, competence, courtesy, credibility, reliability, responsiveness, securities tangibles, and understanding/ knowing the customers. Later Parasuraman et al (1997) reduced the ten determinants into five specific dimensions after discovering that there was a considerable correlation among the original ten determinants. Parasuraman et al (1990) claimed that those five are distinct dimensions of service quality which the SERQUAL instrument is based on.

1.1.3 Overview of M-Kesho Product of Equity Bank Limited and Safaricom Limited.

Kenya's leading bank by customer base, Equity Bank Limited and the leading integrated telecommunications provider, Safaricom Limited, launched an ultimate bank account that allows customers to transfer money to and from their M-Pesa accounts via their mobile handsets while enjoying other benefits that come with the bank account. M-Pesa accounts have no opening fees, minimum balances or monthly charges. Three years ago, there were 2.5 million bank accounts in Kenya, out of a population of 39 million. Today, there are close to 8 million bank accounts (of which 4.5 million are with Equity Bank) plus a further 9.5 million M-PESA accounts. One third of M-PESA accounts are held by people that are otherwise unbanked, and this is the segment that the new product is targeting. Equity's aggressive objective is to acquire 3 million M-KESHO customers by the end of this year.

Safaricom and Equity Bank unveiled a full savings account issued by Equity Bank but marketed as an "M-PESA Equity account." M-KESHO accounts are held in a server owned, hosted and operated by Equity Bank. Safaricom and Equity Bank jointly own the brand and logo. The first part of the logo takes after the M-PESA logo, while the second part has the brown color of Equity. 'Kesho' means 'future' in Kiswahili. So they are positioning this as an aspirational service than M-PESA, which is more functional. Equity Bank and Safaricom have developed a joint marketing plan with joint funding to market M-KESHO.

Unlike M-Pesa accounts, M-Kesho accounts pay interest, do not have a limit on account balances and are linked to emergency credit and insurance facilities. Further, it differs from the regular Equity Bank Limited in that while account holders can transact at the bank's 140 branches, M-Kesho account holders can access their accounts at any of the 17,000 retail outlets that accept M-Pesa. M-Kesho customers must have an M-Pesa account (and hence Safaricom Limited customer). In addition, they may have a normal Equity Bank Limited account and this can be linked to their M-Kesho bank account, but that is not required. Customers of M-Kesho will be able to open accounts at either Equity Bank Limited branches or at some 5000 M-Pesa agents at which Equity Bank Limited will place a bank representative.

M-Kesho is fully integrated into M-Pesa user interface on customers' mobile phone and is also accessible through Equity Bank's own mobile banking service. M-KESHO is fully integrated into the M-PESA user interface on customers' mobile phone, and is also accessible through Equity Bank's own mobile banking service. Customers can deposit and withdraw money from their M-KESHO account by transferring value to/from their M-PESA account, which they can in turn cash into or cash out from at any M-PESA outlet.

Safaricom' strength in the relationship comes from two main elements under its control. First, it has a channel of retail outlets that is 120 times more extensive than Equity Bank's branch network. Kenyans are clearly keen on the convenience that M-Pesa delivers, whereas Equity Bank is in danger of jeopardizing customer goodwill as its branches get more and more congested. Second, through its ownership of customers' SIM cards, Safaricom can present a very convenient user interface which is an extension of the phone's menu and a secure communications channel.

Through their M-KESHO collaboration, Equity enhances M-Pesa's value by driving more transactions. M-KESHO adds value to the M-PESA proposition (interest payable on saved balances, loan and insurance facilities available) and can therefore be expected to increase take-up and usage of the underlying M-PESA service as a transactional channel. Being a bank-backed, interest-bearing account, M-KESHO also drive higher account balances than are currently stored in M-PESA. Moreover, the interest on float held on M-KESHO accounts can be appropriated by Equity Bank, which M-PESA could not do under its trust structure. Thus, simply transferring existing savings balances from M-PESA accounts to the new M-KESHO accounts increases the value accruing to the partners.

Safaricom is also connecting M-PESA with the accounts of other banks, enabling customers to cash in/out of their bank accounts through M-PESA. But Safaricom and Equity are going well beyond that, with product co-branding, use of select M-PESA agents to promote the bank's products, and user interface integration.

The M-KESHO is big news because it creates an opportunity to offer a broader range of financial services seamlessly on the biggest mobile money platform in existence in the world. It also represents the marriage of two very powerful Kenyan brands that have relevance for the poor. Together, they have driven awareness and mass marketing of financial services on an unprecedented scale.

A great deal of attention has been focused on selecting a co-branding partner-not only the essentials of the potential parties but a series of steps in selection process. Correspondingly little attention, however, has deeply been paid to the co-branding position and attaining competitive advantage (Prince and Davies, 2002). Locally, the most current of such co-branding activities is the M-Kesho which is a co-branding of M-Pesa (Safaricom Limited mobile banking service) and Equity Bank Limited products especially for the unbanked and those who find it difficult to access loans. To the best of the researcher's knowledge, no known study has been done to explore the effects of co-branding on competitive advantage of products in Kenya hence leaving a gap that needs to be filled. This research focusing on effects of co-branding on competitive advantage of M-Kesho product of Equity Bank Limited and Safaricom Limited in Kenya is a modest attempt to bridge this gap. It is an effort to bring to light the influence and insights into effects of co-branding on competitive advantage of products where the M-Kesho product of Equity Bank Limited and Safaricom Limited in Kenya will be the context of focus.

1.2 Statement of the Problem

A company gets preliminary benefit of instant brand recognition in markets where there may not be any consumer awareness (at the launching stage) or a lesser degree of consumer awareness a company desires. Other benefit is the financial advantage provided by the alliance. It results from the sharing space, which lowers operating costs, maximizes marketing dollars through joint promotions and increases marked exposure with one product carrying both brand names.

Despite the growing use of co-branding in practice, little empirical research has been conducted on the topic. Most of the literature of co-branding simply describes the strategy or discusses the advantages and disadvantages of co-branding arrangements (Wasburn *et al.*, 2000). Only a few studies have been conducted on the effects of co-branding. Park *et al.* (1996) combined existing brand names to create a composite brand extension (CBE), analogous to a co-brand, and examined how consumers form the concept of the CBE based on their concepts of the constituent brands, the roles of each constituent brand in forming this concept, and the effectiveness of the CBE strategy. Simonin and Ruth (1998) reported research that examined consumer attitudes toward brand alliances (co-brands) that focused on spillover effects of brand alliance evaluations on the later evaluations of partner (constituent) brands and on the role of brand familiarity in these relationships. Wasburn *et al.* (2000) investigated the impact of co-branding on the brand Equity evaluations of both the co-branded product and the branded products that comprise it. Their research studied the effects of co-branding on the brand Equity of both the original branded products and the resulting co-brand both before and after product trial.

Locally, Chemayiek (2005) did a study on consumers' perception of corporate rebranding strategy by Kenya Airways. Gloria, (2005) investigated the influence of branding on employee attitude & perceptions in the banking industry in Kenya. A case study of four banks, Kwena, (2002) did a study on the impact of branding on consumer choice. No study, to the best of the researcher's knowledge, has been done on the way co-branding influences customer perception. It is in this light that this study sought to determine the effects of co-branding on customer perception with reference to M-Kesho product of Equity Bank Limited and Safaricom Limited. This study therefore seeks to answer the question whether co-branding has an influence on customer perception of products?

1.3 Objectives of the Study

The general objective of this study was to determine the influences of co-branding on customer perception with reference to M-Kesho product of Equity Bank Limited and Safaricom Limited in Kenya.

1.3.1 Specific objectives

The specific objectives of this study were;

i. To establish whether co-branding influence customer satisfaction.

ii. To determine the influence of co-branding on perception of customers of M-Kesho.

1.4 Significance of the Study

This study is on influences of co-branding on customer perception. the study may therefore be important to the following;

Safaricom Limited and Equity Bank Limited may benefit in understanding the concepts of co-branding as regards the M-Kesho account brand. The two organizations may understand the influences of co-branding on customer perception of products. The study may also be of importance to other companies or organizations like KCB, Co-Operative of Kenya on issues surrounding the concept of co-branding and its influence on co-branding on customer perception of products. Academicians/ Researchers would also find the findings of the study useful guiding them to future research in the field of financial management Information systems.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from the available literature in the same field of study. The specific areas covered here are concept of co-branding, importance of co-branding, effect of co-branding on competitive advantage, brand attitude, brand perception, brand identity, brand Equity and empirical review.

2.2 Concept of Co-branding.

According to Spreng et al (1995), strategic cooperation of co-branding results in joint brand leveraging, through positive association with a partner's brand image, so as to build and maintain competitive advantage. For Reichheld et al, (2000), co-branding corresponds to the union of two or more products of different brands which originates a new (separate and unique) product or a joint brand. According to Keller (2003), co-branding is the marriage between two brands with different backgrounds, which focuses on combination of the partners' resources and best capacities. Lasting relationships concerning innovating joint projects can create significant values for both companies and their customers consider this form of strategic cooperation can integrate two brands so as to produce something completely different which incorporates the best characteristics of both brands. Therefore, the value of the new brand, resulting from the combination of both, is greater than the sum of its parts.

Co-branding is a technique used in business aiming to transfer positive associations of the product or brand of a company to a new joint brand, or create operational synergy with established. Thus, the product or service originating in strategic co-branding cooperation unleashes positive associations in the consumer's mind, given the combination of two or more brands. The formation of competitive co-branding alliances is based on three main motivations: (i) market share; (ii) global operation; and (iii) global branding. The first motivation concerns the need to penetrate the market with the aim of increasing market share. This happens when two brands unite to increase market share and in this way manage to compete with another leading brand. The second motivation is associated with the need to develop a global operation that makes the previously mentioned motivation viable. This occurs, for example, when a brand joins another to increase its brand image within a certain industry. The third motivation emerges when the aim is to implement a global brand strategy, through combination of brands. This is a characteristic situation of strategic alliances between large well known-companies (Keller, 2003).

2.3 Importance of Co-Branding

Importance of co-branding strategies Consumer product manufacturers are increasingly interested in co-branding strategies as a means to gain more marketplace exposure, fend off the threat of private label brands, and share expensive promotional costs with a partner.(Spethmann and Benezra, 1994). Despite the growing use of co-branding in practice, little empirical research has been conducted on the topic. Keller (2003) reported research that examined consumer attitudes toward brand alliances (co-brands) that focused on spillover effects of brand alliance evaluations on the later evaluations of partner (constituent) brands and on the role of brand familiarity in these relationships. Their findings showed that consumers' attitudes toward a particular brand alliance influenced their subsequent attitudes toward the individual brands that comprise that alliance.

Brands that had engaged in many previous alliances were significantly affected by the alliance; and consumer attitudes toward the partner brand(s) prior to the alliance significantly affected their attitudes toward the alliance. Park et al. (1996) combined existing brand names to create a Composite Brand Extension or CBE, analogous to a co-brand, and examined how consumers form the concept of the CBE based on their concepts of the constituent brands, the roles of each constituent brand in forming this concept, and the effectiveness of the CBE strategy. The results of their study suggested that a composite brand name can favorably influence subjects' perceptions of the CBE and that complementarily between the primary and secondary constituent brands is a more important factor in the success of the CBE strategy than a positive evaluation of the secondary brand. Other than these two empirical studies, most of the literature on co-branding simply describes the strategy or discusses the advantages and disadvantages of co-branding arrangements (Rao and Ruekert, 1994).

2.4 Concept of Perception

According to Loudon (1979), perception is the process of receiving and deriving meaning from stimuli present in an individual’s internal and external environment. Loudon further states that to perceive is to see, hear, touch, taste smell or sense internally something, event or relation and to organize, interpreter and derive meaning from the experience. It is therefore a process made meaning to the environment from experience and varies from one person to another since different individuals see the same thing in different ways. Perception is the process by which an individual selects, organizes and interprets stimuli into a meaningful coherent picture of the world. A stimulus is any unit of input into any of the senses, and examples include products, packages, brand names, and advertisements. Human beings are constantly bombarded with stimuli during every minute and hour of the day. The sensory world is made up of an almost infinite number of discrete sensations which are constantly subtly changing. According to the principles of sensation, such heavy intensity of stimuli one should turn off most individuals who would subconsciously block the receipt of such heavy bombardments of stimuli. Otherwise the numerous different stimuli that we are constantly exposed to might serve to confuse totally and keep as perpetually disoriented in a constantly changing environment (Keller, 2003).

2.4.1 Brand Perception

Perception is the process by which a person selects, organizes, and interprets information. When consumers are about to purchase goods, they endure a subconscious process of information gathering, where they collect available information in memory to establish their brand perception. Branding is a very powerful component in business. The brand must have a logo to make branding easier and more possible. The customers decide if they will buy a product or use a service based on how they view the brand. The brand itself tells customers or let them imagine how good or bad the product is even if they never tasted it before! All that brand promotion and advertising really do tell how great a brand can be. Once a customer likes a brand he/she will definitely come back for repeated services or products. The qualities of the product or services are ensured through the customers’ minds from the brand image (Zeithaml and Bitner, 2000).

Brand is not only convenient for businesses for repeated customer purchase but also easier for customers to filter out the countless generic items. Brand gives consumers the reason to buy it and wastes less time for consumer to choose. There are ways to improve a brand from advertising such as viral campaign (more trustworthy), online ads, print ads and commercials. Another way is to improve a product or services that will reinforce the brand. This is a good way to promote a brand by always being in the cutting edge or “customer’s first image” (Keller, 2003).

2.4.2 Perceived Price Fairness

From the consumer's perspective, the monetary cost of something is what is given up or sacrificed to obtain a product or a service. Thus, in studies on related topics, price has often been conceptualized and defined as a sacrifice. There are three components to the concept of price: objective price, perceived non-monetary price, and sacrifice. The objective monetary price (simply put, the amount of money paid for product) is not equivalent to the perceived price (that is, the price as understood and recorded in the mind of consumer) since consumers do not always know or remember the actual price paid for a product. Instead, they encode the price in a way that it is meaningful to them (Zeithaml and Bitner, 2000).

As to the relationship between price and product perception, research has shown that price is one of the determinants of customer perception. When customers were asked about the value of services rendered, they consistently considered the price charged for the service. In those cases in which consumers did not consider price in forming their judgments about the quality of service, it was generally because they lacked a reference price. Still, though, this group ranked price as an important factor when it came to their overall satisfaction (Zeithaml and Bitner, 2000).

The theoretical formation of price perception in services remains largely unexplored. The study suggests that the perception of price fairness plays an important role in any exchange transaction. The feeling of fairness depends on the gain-loss ratio felt by both partners in the exchange. From the consumer's perspective, the gain is the product to be received, whereas the loss is the money to be paid. When a consumer pays a higher price than others do, or when a consumer receives a lesser product than anticipated (either in terms of quantity or quality), perceived negative price inequity occurs. On the other hand, perceived positive price inequity may result from either receiving a larger or better product than others, who paid the same price, or paying a lower price but receiving the same product. Price fairness should have an influence on customer satisfaction as well as on behavioral intentions. This study, then, proposes that the perceived fairness of price should directly affect customer loyalty, and should also affect it indirectly via customer satisfaction (Keller, 2003).

2.4.3 Perceived Service Quality

Bloemer and Ruyter (1998) suggested that customer satisfaction resulted from a consumer committed to the store through an explicit and extensive decision-making process. Customer satisfaction is frequently operated as a conscious evaluation of the price/quality ratio or the willingness to pay a premium price, or alternatively price indifference. Keller (2003) suggested that corporate brand loyalty affected online shoppers' intentions to revisit the Web site. He further examined the causal relationships among service quality, customer satisfaction, and purchase intention. Each variable was measured by one item. There were 660 usable questionnaires randomly collected from customers of four types of businesses in the southeastern United States: banking, pest control, dry cleaning, and fast food. The results of correlation analysis have suggested that (1) service quality was an antecedent of consumer satisfaction, (2) service quality had less effect on purchase intentions than did consumer satisfaction, and (3) consumer satisfaction had a significant effect on purchase intentions.

Bloemer and Ruyter (1998) also found that customer perception strongly mediated the effect of service quality on behavioral intentions. The data used in their study were systematically randomly collected from 397 churches. A test of discriminant validity revealed that the construct of service quality was different from the construct of customer satisfaction. The result of regression analysis in structural equations modeling supported their proposition that customer satisfaction had a stronger effect on behavioral intentions than service quality did (Bloemer and Ruyter, 1998).

Service quality literature indicated that perceptions of high service quality and high service satisfaction resulted in a very high level of purchase intentions. The literature claimed that customer satisfaction was affected by product quality, service quality, and retailer image. They also suggested "quality [of product and service] is directly related to customer satisfaction." (Keller, 2003) Customer satisfaction literature showed that the relationship between customer satisfaction and customer loyalty depended on the type of satisfaction. The positive impact of manifest satisfaction on customer loyalty was stronger than that of latent satisfaction on customer loyalty (Hillyer and Tikoo, 1995).

Based on empirical findings in service quality and satisfaction literature, service quality is one of the antecedents of satisfaction. Hillyer and Tikoo (1995) tested their hypothesized customer satisfaction model and found that service quality, perceived value, and customer loyalty were different constructs. Their findings indicated that not only customer satisfaction and perceived value directly affected customer loyalty, but also indirectly affected customer loyalty through commitment. Service recovery can be regarded as a passive strategy for the improvement of customer satisfaction. Service recovery refers to the actions taken by a firm in response to a service failure. Service failure often occurs when the customer's perceived service quality falls below customer expectations. For example, delivery and Web site design problems are two major types of service failure in online retailing. Such failures may cause significant costs to the firm, such as lost customers and negative word of mouth

Literature has addressed the importance of service recovery. According to Bloemer and Ruyter (1998) firms learn from experiences of service recovery when they may not be able to prevent service failure. Parasuraman et al (1997) believed that firms should not regard service failure as a problem but as an opportunity to create satisfied customers. Hence, recovery strategies have a dramatic impact on a firm's revenue and profitability. Service recovery literature has shown that resolving customer problems has a strong impact on customer satisfaction. Labarbera and Mazursky (1983) also found that customer behavioral intentions are more favorable when customers believe that firms consistently implement service recovery when failures occur. Furthermore, Oliver (1981) found that well-handled service recovery strongly affects customer satisfaction.

2.4.4 Customer Loyalty

Brand perception influence customer loyalty and thus tracking customer satisfaction alone is no longer sufficient and is often misleading. But when combined with two other factors –

loyalty attitudes, and needs and discretion – it can play an important role." The real essence of customer loyalty is finding ways to take advantage of opportunities for customer contact and service. It is critical to tap as many as possible to create lasting loyalty. Many recent studies provide empirical evidence of something many in business already know: customer loyalty is a key driver of profitability. The most important basis for strategy development, however, is a comprehensive understanding of what drives customer loyalty and how strong those drivers are. Companies know they need to pay attention to their customers. They know the financial benefits that come from keeping their customers happy. And they've done their best to put "satisfaction" programs in place. Yet regular monitoring of various U.S. industries reveals that relatively few companies (17%, as of 2000) have improved their customer satisfaction index measures after six years (Kempf and Smith 1998).

"There is an abundance of literature that draws the connection between the attitudes of employees and the attitudes toward the company of the customer. Numerous studies support the claim that employees with favorable attitudes provide better customer service, and in most cases, improve the quality of customers' experience" (Krishnan 1996). The research asserted that it is not enough to just deliver great customer service; it is necessary to translate this great service into customer loyalty by giving customers what in their eyes is perceived to be satisfactory. The best way to engender a greater degree of customer loyalty is to exceed customer expectations and anticipate their needs. Expectations are constantly evolving because improvements in service shift customer demands. While customers initially appreciate better services, they quickly get used to, expect and demand them (Cleveland 2003). Customers will continue to favor organizations that provide unique, one-on-one, personalized service, whether it is delivered face-to-face or over the Internet (Hoch and young-Won, 1986).

There were very few relevant proposals available that incorporated the elements of employee satisfaction, customer satisfaction/loyalty, and corporate profitability into one theory known as the service profit chain. The pre-eminent work on this subject can be found in the research of Farquhar (1994) who coined the phrase service profit chain. Their book by the same name connects the importance of the relationships that exist between employees, customers, and corporate profitability. “Simply stated, service profit chain thinking maintains that there are direct and strong relationships between profit; growth; customer loyalty; customer satisfaction; the value of goods and services delivered to customers; and employee capability, satisfaction, loyalty, and productivity” (George and Ronald, 1994).

Many proposals set out to link either improved employee satisfaction to improved customer satisfaction, or employee satisfaction to improved corporate profitability, or improved customer satisfaction/loyalty to improved corporate profitability. There is also the opportunity to move that marginally profitable customer into profit if an organization understands the customer dynamics involved and are able to either find a way of lowering the cost to serve or finding them more mutually profitable services to take. You need to know how much it costs to service your existing customers and how much profit they bring the organization. But who are the customers you want to retain (and why) and what are the characteristics of customers you want to acquire (Hillyer and Tikoo, 1995).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter was an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. It discussed the research design, the target population, sample size, the procedures and techniques that was used in the collection of data and finally data analysis.

3.2 Research Design

This is a descriptive research. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was chosen because it enabled the researcher to generalise the findings to a larger population.

3.3 Population

The target population of interest consisted of all customers of M-Kesho in the formal and informal small and medium business within Kariobangi Light Industries area and its environs. As per the bank records Equity Bank Limited Kariobangi Branch has 12,332 M-Kesho registered customers as per the second quarter of year 2011.

3.4 Sample Size

The sample size was 100 M-Kesho customers in the SME sector in Kariobangi Light Industries area and its environs and the type of sampling was purposive sampling and random selection, this was allowed the use of cases that have the required information with respect to the objective of the study and cases that may not have interest in the service or has interest but are not yet subscribers. Mugenda and Mugenda, (1999), explained that purposive sampling allows the use of cases that have the required information with respect to the study. The criteria of selection that the study adopted were specific to the formal and informal small to medium business within Kariobangi Light Industries area and its environs.

3.5 Data Collection

The study used both secondary data from other sources and primary data was collected using questionnaires. The questionnaires included structured and unstructured questions and was administered through drop and pick method to customers in the organizations. The structured questions were used in an effort to conserve time and money as well as to facilitate in easier analysis as they would be in immediate usable form; while the unstructured questions was used as they encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. With unstructured questions, a respondent’s response give an insight to his feelings, background, hidden motivation, interests and decisions and gives as much information as possible without holding back.

3.6 Data Analysis

Data collected was quantitative and qualitative in nature. The descriptive statistical tools helped the researcher to describe the data and determine the extent used. Analysis was done quantitatively and qualitatively by use of descriptive statistics whereby an SPSS (Statistical Package for Social Sciences). This included frequency distribution, tables, percentages, mean mode, median etc. These generated quantitative reports through tabulations, percentages, and measure of central tendency. Cooper and Schindler (2003) notes that the use of percentages is important for two reasons; first they simplified data by reducing all the numbers to range between 0 and 100. Second, they translated the data into standard form with a base of 100 for relative comparisons. The information was presented by use of bar charts, graphs and pie charts.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter focuses on the questionnaire return rate, demographic information of the respondents, data presentation, interpretation and discussion of findings. The presentation was done based on the research questions.

4.2 Questionnaire return rate

Questionnaire return rate is the proportion of the questionnaires which were collected from the field after they were administered to the respondents. All the questionnaires administered the respondents were returned making a questionnaire return rate of return rate 100%. This was possible because the researcher was waiting for the questionnaire as they were being filled and picking them immediately.

4.3 Demographic information of respondents

This chapter deals with the demographic information of the respondents. It includes the gender and highest education level

4.3.1. Gender of the respondents

The respondents were asked to indicate their gender, this aimed at establishing if the study was gender sensitive and to ensure that all the genders were given a chance to give their views on influence of co-branding on customer perception. The results in figure 4.1 show that there was fair gender distribution in the study.

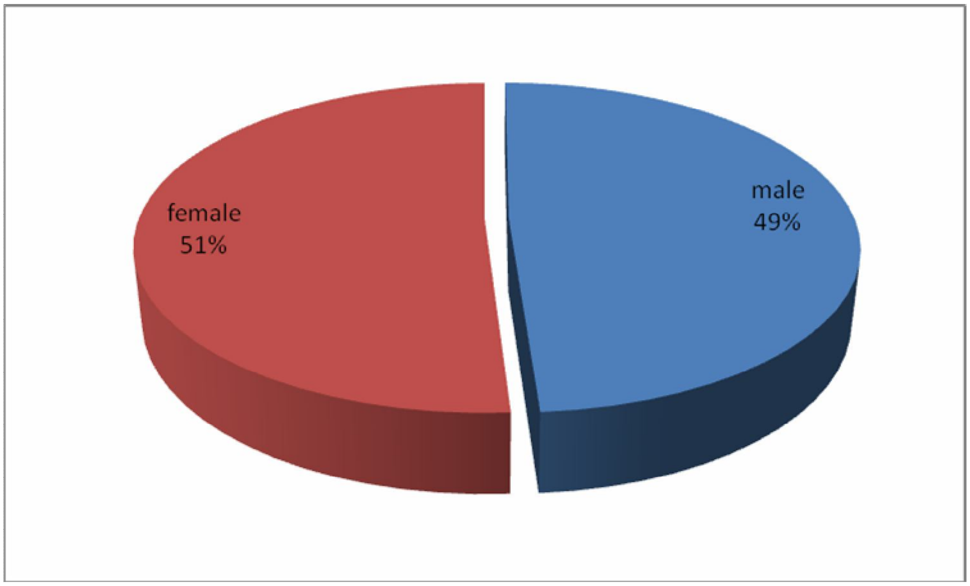

Figure 4.1 Gender of the respondents

The study also sought to establish the academic level of the respondents. This aimed at establishing whether the M-Kesho product is used by people of all levels of education. The results indicate that the M-Kesho product which is a co-brand between the Safaricom and the Equity bank is commonly used by people who have education level of above secondary education.

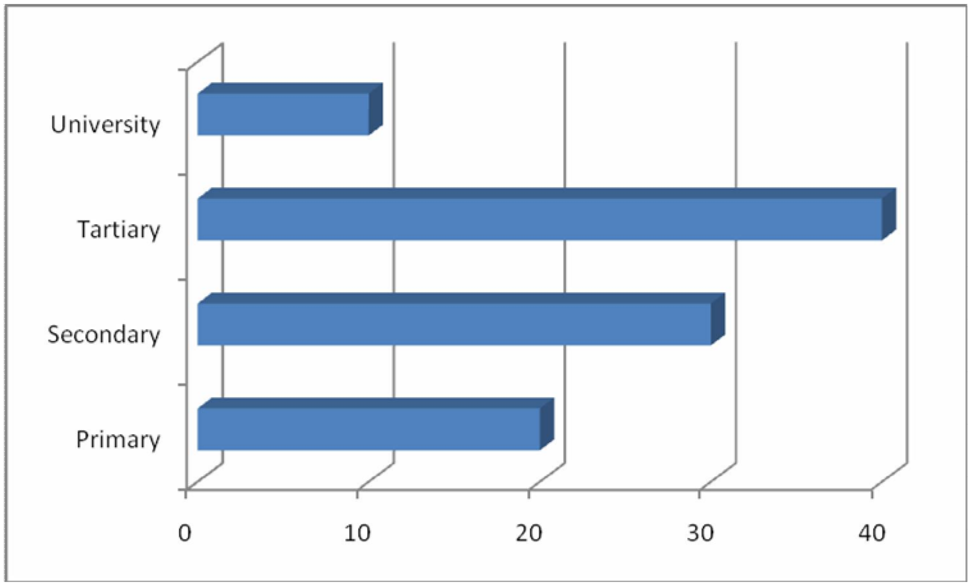

Figure 4.2 Academic levels of the respondents

In order to establish the level of satisfaction by the customers the co-branded product, The study sought to establish the period at which the respondent has been a using the M-Kesho product. They were therefore asked to indicate the period they have been members. The results are as in figure 4.3

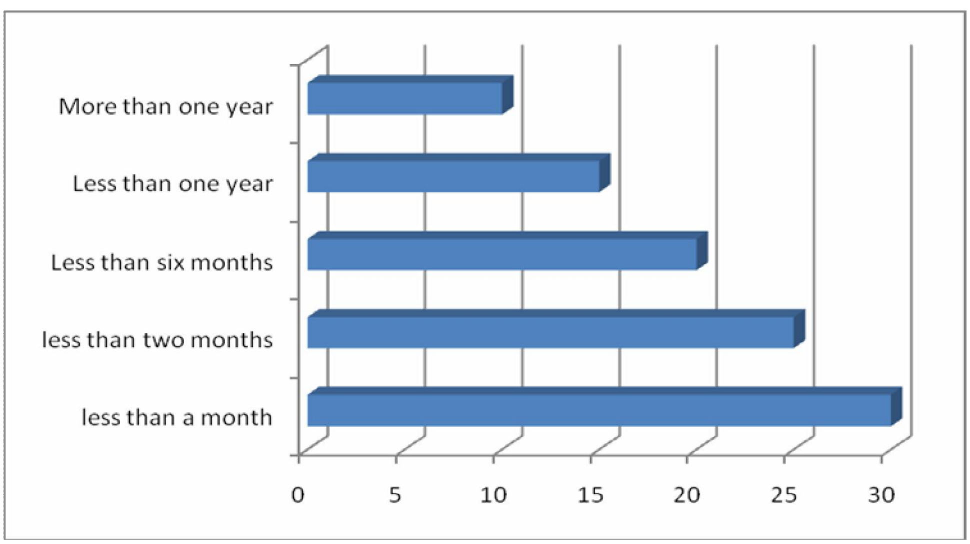

Figure 4.3 The period of customer being an M-Kesho customer

Figure 4.3 shows that the members of M-Kesho have been increasing since its inception. This implies that the product gaining popularity among the citizens.

The respondents were asked to indicate the whether they were members of M-Pesa a sister product with similar services. The results are that 70% of the respondents were members of M-Pesa and 30% have never been member of M-Pesa. Those who were members of M-Pesa are capable comparing the two products

In the same token the respondents were asked to indicate what influenced them to join M-Kesho. The responses were that they were influenced by: availability of the service, accessibility, convenience of sending money, convenience of bank services for instance withdrawing or depositing, ability to access loan and insurance services.

4.4: Influence of co-branding on customer satisfaction

One of the objectives of the study was to establish the influence of co-branding on customers satisfaction. The respondents were asked to indicate the level at which they strongly disagree, disagree, neutral, agree and strongly agree. The responses are as indicated in table 4.1

Table 4.1 influence of co-branding on customers satisfaction

Statement	Strongly disagree %	Disagree %	Neutral %	Agree %	Strongly agree %
Co-branding positively affects customer loyalty, and also indirectly affects customer satisfaction.	0	0	10	10	80
Co-branding improves the quality of product	0	0	10	20	70
Co-branding attracts more customers to the product	0	0	0	0	100
Customers are satisfied by new products through co-branding	0	0	0	20	80

Table 4.1 indicates that co-branding influences customers in several ways, for instance 80% of the respondents were of the opinion that Co-branding positively affects customer loyalty, and also indirectly affects customer satisfaction. This implies that when a product is a co-brand of two or three companies the customers develop loyalty and they are more satisfied by the product.

On the other hand 70% of the respondents were of the opinion that Co-branding improves the quality of product. This is because the product is a meant to supplement another product and therefore it is more refined since it is born from many ideas and has more facilities. In the same token 100% of the respondents were of the opinion that Co-branding attracts more customers to the product and 80% of the respondents strongly agreed to the statement that Customers are satisfied by new products through co-branding. This implies that the new products which are as a result of two or more companies joining effort to come up with the product satisfies customers from the new facilities if offers compared to other products.

4.5 Influence of co-branding on perception of customers

The other objective of the study was to establish the influence of co-branding on the perception of the customers. The respondents were therefore asked to indicate the level at which they strongly disagree, disagree, neutral, agree and strongly agree with the statement to the effect of influence of co-branding on perception of customers.

Table 4.2 Influence of co-branding on perception of customers

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Customers have a positive perception of efficiency of co-branded product	0	0	0	10	90
Customer have a positive perception on the quality of product	0	0	20	8	72
Customers have a positive perception on the reliability of co-branded product in the market	0	0	15	17	68
Customers have a positive perception on the colours of co-branded product	0	0	12	10	78

Table 4.2 shows that 90% of the respondents strongly agreed with the statement that Customers have a positive perception of efficiency of co-branded product. This implies that co-branded products are more efficient hence perceived positively by the customers. 72% of the respondents were also of the opinion that Customers have a positive perception on the quality of product. An implication that the co-branded product are of high quality hence making customers perceive them positively.

The respondents were also of the opinion that Customers have a positive perception on the reliability of co-branded product in the market; this is as attested by 68% of the respondents. On the other hand 78% of the respondents strongly agreed to the statement that Customers have a positive perception on the colour of co-branded product. This implies that the colour of the product attracts more customers.

In order to establish the influence of co-branding on perception of customers by gender, the cross tabulation was done. The results are as in table 4.3

Table 4.3 Influence of co-branding on perception of customers by gender

	Strongly disagree %		**Disagree** %		**Neutral** %		**Agree** %		**Strongly agree** %	
Customers have a positive perception of efficiency of co-branded product	0	0	0	0	0	0	4	6	50	40
Customer have a positive perception on the quality of product	0	0	0	0	8	12	3	5	34	38
Customers have a positive perception on the reliability of co-branded product in the market	0	0	0	0	8	7	10	7	38	30
Customers have a positive perception on the colours of co-branded product	0	0	0	0	8	4	6	4	49	29

Table 4.3 shows that female respondents are more attracted to a co-branded product than males. This is as attested by 49% of the female respondents than 29% of male respondents with similar opinion. The other factor which is skewed towards female respondents than male respondent is the issue of reliability of the product; were 38% of female respondents against 30% of the male respondents strongly agreed to the statement that Customers have a positive perception on the reliability of co-branded product in the market.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study and presents conclusions, recommendations and suggestions for further research.

5.2 Summary of data analysis

The purpose of this study was to establish the influence of co-branding on customer perception: a case of M-Kesho customers in Kariobangi area. It was guided by two objectives which are; to establish whether co-branding influence customer satisfaction and to determine the influence of co-branding on perception of customers of M-Kesho product.

The Literature review for the study addressed issues like, the concept co-branding, importance of co-branding, concept of perception, brand perception, perceived price fairness, perceived service quality and customer loyalty.

The study applied the descriptive design; Target population included all the 12,332 customers of M-Kesho in the formal and informal small and medium business within Kariobangi Light Industries area and its environs. The sample size constituted 100 M-Kesho customers in the SME sector in Kariobangi Light Industries area and its environs who were randomly sampled. Through data analysis the study revealed that; the M-Kesho product is used by people across all levels of education and that subscribers to the M-Kesho have been increasing since its inception an indication that the product is gaining popularity among the citizens.

The study also revealed that 70% of the respondents were members of M-Pesa before joining the M-Kesho product. Through probing the respondents asserted that they joined M-Kesh under the influence availability of the M-Kesho product which was accessible, convenient in relation to sending money, convenience of banking services like withdrawing or depositing money as well as the ability of the customers to access loan and insurance services through the M-Kesho product.

On matters of satisfaction of the customers by co-branded product, 80% of the respondents were of the opinion that Co-branding positively affects customer loyalty, and also indirectly affects customer satisfaction while 70% of the respondents were of the opinion that Co-branding improves the quality of product.

In the same token the study revealed that 100% of the respondents were of the opinion that Co-branding attracts more customers to the product while 80% of the respondents strongly agreed to the statement that Customers are satisfied by new products through co-branding.

The study further revealed that 90% of the respondents strongly agreed with the statement that Customers have a positive perception of efficiency of co-branded product while 72% of the respondents were also of the opinion that Customers have a positive perception on the quality of product

In relation to customers satisfaction through reliability of the product 68% of the respondents felt that reliability of the product make them get satisfied by the product and 78% of the respondents strongly agreed to the statement that Customers have a positive perception on the colour of co-branded product. This aspect varies by gender where by 49% of the female as opposed to 29% of male respondents expressed their opinion that the colour of the co-branded improves their perception on the product.

5.3 Conclusions

From the foregoing, discussion it is evident the M-Kesho a product of Safaricom and Equity bank is a product used by all people irrespective of gender and education level. The product is gaining popularity among the Kenyan citizens as attested by increased number of the customers subscribing to the product day by day.

On matters of influence of the co-branded product on customers' satisfaction, co-branding increases the loyalty of the customers as the quality of the product is improves. On the other hand the product attracts more since the new product satisfies customers' needs.

On the other hand some aspect of the product like the colour, reliability and the efficiency of the product are more positively perceived by female customers than the male customers while aspect like the quality of the product is positively skewed to male customers than the female on the way both gender perceive the product.

5.4 Recommendations

In the view of the research findings, the research recommends the following:

More M-Kesho products outlets should be availed to the customers. This will make many customers use the facility

The other recommendation is that there is need to create awareness of the product to the customers through marketing and unpacking the product to the customers, this will make more customers even those with primary level of education easily use the product without complications

The study also recommends that the co-branded product should have an appealing colour. This will attract more customers to the product especially the female customers

The study recommends that the co-branded products should be reliable in the sense that one can use the facility at any time without delays. This ensures that customers have a positive perception on the product and also customers are more satisfied by such products.

More co-branded products should be introduced in the market. This is because they will improve the quality of the already existing products hence attracting more customers to the products leading to higher profits to the companies involved.

5.5 Suggestions for further research

Based on the findings of the study the researcher makes the following suggestions for further research;

A research need to be done on the influence of co-branding on customer perception on more products countrywide for the generalization of the results

A study should be carried on challenges facing the companies involved in teaming up to come up with a product in the market. This will help other companies with the intention of coming up with same product venture into the business aware of the challenges they are likely to face.

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APPENDIX 1: QUESTIONNAIRE

Influence of Co-Branding On Customer Perception: A Case of M-Kesho Customers In Kariobangi Area

Part A: General Information

***NB* Tick where necessary**

1. How long have you been An M-Kesho Customers?

    Less than a month [ ]

    Less than two months [ ]

    Less than six months [ ]

    Less than one year [ ]

    More than one year [ ]

2. Before joining M.Kesho, where you a member of M.Pesa a)Yes b) No

3. What influenced you to join M.Kesho……………………………………

    ………………………………………………………………………………

PART B: influence of co-branding on customer satisfaction

1. To what extent do you agree with the following statements? Use a scale of 1-5 **where**

    1= strongly disagree; 2= disagree; 3 neutral; 4= agree and 5= strongly agree

	1	2	3	4	5
Co-branding directly affects customer loyalty, and also indirectly affects customer satisfaction.					
Co-branding improves the quality of product					
Co-branding attracts more customers to the product					
Customers are satisfied by new products through co-branding					

Part C: Influence of co-branding on perception of customers

1. To what extent do you agree with the following statements? Use a scale of 1-5 **where**

   1= strongly disagree; 2= disagree; 3 neutral; 4= agree and 5= strongly agree

	1	2	3	4	5
Customers have a positive perception of co-branded product					
Customer have a positive perception on the quality of product					
Customers have a positive perception on the reliability of co-branded product in the market					
Customers have a positive perception on the colours of co-branded product					